

NEW HAMPSHIRE STATE LIQUOR COMMISSION

MINUTES OF MEETING – JANUARY 21, 2004

PRESENT: Chairman Anthony Maiola and Commissioner Patricia Russell; John Bunnell, Administrator of Marketing & Sales; Craig Bulkley, Bureau Chief of Administrative Services; Peter Engel, Director of Store Operations; Howard Roundy, Director of Information Technology; Richard Gerrish, Spirits Marketing Specialist; Nicole Horton, Wine Marketing Specialist; Lt. Lisa Soiett; Lt. Eddie Edwards; George Tsiopras, Chief Financial Officer. Guests: Al Picconi, United Beverages, Inc.; Michael Goclowski, Law Warehouse.

EXCUSED: Commissioner John Byrne; Aidan Moore, Chief of Enforcement.

I. FINANCIAL & ADMINISTRATIVE REPORTS

1. Financial Reports

A. Weekly, Y-T-D Sales Reports:

The SA1000 report for the week ending 1/18/04 shows retail sales were down about -3.6%, on-premise sales were up almost .14%, off-premise sales were up 7.4%, and total aggregate sales were down -.58. The traffic decreased by 1,050, as did the average sale by -\$.39.

The W-1 Total Weekly Sales report for the same week confirms that total sales were down -.58% or (\$32,044) for the weekly comparison, but were up a little over 8% or \$16,699,232 for the year. Wine sales for the week also decreased by -1.05% or (\$28,152), but showed an increase for the year by 8.4% or \$7,994,303. Sales of spirits were down by -.14% or (\$3,892) on a weekly basis, and were up year-to-date by 7.8% or \$8,705,128.

B. Budget/Administrative Reports:

There was nothing of significance to report regarding outstanding depletions and post-offs as of January 20, 2004.

The Commission is still seeing some post-Christmas redemption of gift cards, which is gradually slowing down.

Craig and George will attend the Fiscal Committee meeting this a.m., as Enforcement's grant is on the consent calendar. Sweepstakes monies for employees from the sale of winning tickets and the 2003 Annual Report are both on today's Governor and Council agenda, and Craig and George will attend this meeting as well.

A contract has been received from Administrative Services relative to the e-licensing project. When completed, it will be brought to the Commission for

signature. The contract includes a statement of work from the contractor, and is written in a format approved by Administrative Services. Craig hopes the contract will be ready to start in mid-February.

There has been some activity over the past several days regarding LSR 3087. Lisa Soiett, Aidan Moore and Craig met with the DRA Commissioner last Friday and with Rick Wisler from Sweepstakes regarding this. The DRA has submitted an amendment. As a result of the meeting, additional information will be submitted to be included in LSR 3087, and a fiscal note will then be developed. Craig suggested meeting with the Commission to bring them up to date on this.

The W-6 Expense Budget Activity Variance Report for the week ending January 20, 2004 indicates the year to be at about 56% complete, with agency expenditures at around 55% of the entire budget. George said priorities must be assigned to the various up and coming project requests, as there may not be enough money in the contracts line to get everything done. There was brief discussion regarding this. John Bunnell mentioned that funding is also needed for stores for employees, rents, etc.

2. IT Report

Howard is still waiting for OIT to approve a contract for the hand held scanners. It appears that expenses paid by General Funds are being held up there.

Howard asked for guidance on the new web page. To date, he has received no responses from the other bureaus. John Bunnell said he would try to get him information from Marketing as soon as possible. Lisa Soiett will look into this for Enforcement.

II. MARKETING & SALES REPORTS

1. Store Operations

Total store sales for the week ending January 18, 2004 were down -3.52% or (\$151,000.68), which is attributed towards the very cold weather.

A man backed into Store #41 in Seabrook over the weekend, and Peter is awaiting the police report on this. He estimated that everything should be back to normal at the store by the end of the week. Also, Store #39 in Wolfeboro had a broken pipe which destroyed 172 ceiling tiles and took two and a half days to clean up. This store opened as scheduled on Tuesday, January 20, 2004, with all cash registers operational. There was also some flooding at Stores #45 in Pittsfield and #44 in Bristol due to broken pipes. Commissioner Russell felt more preventive maintenance is needed.

2. Purchasing Report

John Bunnell commented that, although the current out-of-stock list is lengthy, there are no major items which are unavailable.

There have been some temporary expenditures in the warehouse which are being cleaned up at this time.

3. Merchandising Report

A. SPIRITS:

1) Holiday Sale (Dec. 18 – Jan. 4, 2004):

The results of the Holiday Sale, which took place from December 18, 2003 through January 4, 2004, were reviewed and acknowledged.

2) Mark Down Xmas Items:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve the reduction in price of eight (8) holiday spirit packages, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) Test Market Result (Code #3817):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission delist Code #3817, Three Olives Vodka, 375ML size, as this item failed to earn the gross profit required for full distribution at the conclusion of a six-month test market period and, as an added size, is not eligible for specialty listing, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4) Line Extension Requests:

a. Myers's Original Dark Rum, 375ML:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a size extension on Myers's Original Dark Rum, 375ML size (assigned Code #4301), as this brand in both the 750ML and 1.75L sizes have earned their respective gross profits required for an added size listing, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell,

Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Parrot Bay Coconut Rum, 375ML:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a size extension on Parrot Bay Coconut Rum, 375ML size, as this brand in the 750ML and 1.75L sizes have earned their respective gross profits required for an added size listing, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

5) Full Distribution Request:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a change from specialty status to full distribution for the following three spirit items which have exceeded the gross profit required for such listing, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales: Code #1358, Knob Creek, 1.75L size; Code #3947, Herradura Anejo Tequila, 750ML size; and Code #1174, Rebel Yell, 1.75L size. The motion was unanimously adopted.

6) Additional Special Offers (2 items – United Beverages, Inc.):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve additional special offers from United Beverages, Inc., based upon depletions (without matching State funds) of two (2) spirit items, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

B. WINES:

1) Additional Christmas Item Discount:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a discount on one (1) additional wine Christmas item submitted by United Beverages, to be distributed to close-out locations only, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) New Wine Product Listings:

a. Full Distribution (Code #24286):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve full distribution, to be made available to all stores if needed, of Code #24286, Cabernet Kendall Jackson, 750ML size, as this item has earned at least \$6,500.00 during a twelve-month period, the majority of which has been in the retail and on-premise markets, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Full Distribution (6 items – Horizon Beverage Co.):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve full distribution, to be made available to all stores if needed, of the following six (6) 750ML size wine codes, each of which has earned at least \$6,500.00 during a twelve-month period, the majority of which have been in the retail and on-premise markets, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales: Code #6698, Malstone Clos du Bois; Code #15900, Fume Blanc Ch. St. Jean Sonoma; Code #25934, Chianti Gabbiano; Code #27514, Cabernet Sauvignon Clos du Bois Alex. Valley; Code #31106, Marques d'Arienzo Rioja Crianza; and Code #36859, Pinot Noir Brancott Marlboro NZ. The motion was unanimously adopted.

3) Special Offers for March 2004:

a. 1 item – Pine State Trading Co.:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a special offer from Pine State Trading Company, based upon depletions of one (1) wine item, to be featured on sale during March 2004, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 25 items – Executive Wine & Spirits:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Executive Wine & Spirits, based upon depletions of twenty-five (25) wine items,

to be featured on sale during March 2004, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- c. 59 items – Martignetti Companies of N.H.:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Martignetti Companies of N.H., based upon depletions of fifty-nine (59) wine items, to be featured on sale during March 2004, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- d. 44 items – Horizon Beverage Company:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Horizon Beverage Company, based upon depletions of forty-four (44) wine items, to be featured on sale during March 2004, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 4) Delist Warnings from January 2003:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve the removal from retail of fifteen (15) wine codes which are not meeting the necessary gross profit requirements, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 5) Price Reduction:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve the price reduction and purchase, as submitted by United Beverages, Inc., of four (4) Gordon Bros. wine codes, including a floor stock adjustment, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 6) Close Out (16 items – United Beverages, Inc.):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve close out pricing of sixteen (16) wine codes submitted to United Beverages, Inc., to be distributed to close out locations only, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 7) Recommended Wine Specialty Products (22 items):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve the designation of twenty-two (22) wine codes as wine specialty products, to be carried in wine specialty stores, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 8) Recommended Allocated Wines for Distribution to Selected Stores (14 items):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve fourteen (14) allocated wines for distribution to selected stores, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 9) “R” Wines for Allocation to Licensees and Retail Distribution:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve six (6) “R” wines for allocation to licensees selected by the broker, and retail distribution, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 10) Primary Source Submissions (2 items – primary source; 9 items – exclusive agent; 4 items – imported):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve the listing of two (2) wine codes which are from primary source, nine (9) wine codes which are not from primary source, but are offered by the exclusive marketing agent, and four (4) wine codes which are not from primary source, but are imported, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

III. ENFORCEMENT & LICENSING REPORTS – None.

IV. CHAIRMAN’S REPORT & LATE ITEMS

1. Bailment Requests:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve all previously reviewed requests for bailment releases/transfers dated January 15 through January 21, 2004. The motion was unanimously adopted.

2. Coupon Approvals: None.

3. Late Items/Other: None.

Anthony C. Maiola, Chairman

Patricia T. Russell, Commissioner

/D. Hartford